

## Mini-profile of successful innovation

### Mo Ibrahim and his founding of Celtel

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The story of Mo Ibrahim's success in setting up a highly successful mobile phone network can be used to illustrate how to innovate and create jobs.

**Born a Muslim in a  
71% Muslim country  
– Sudan.**

The following outline, parsed with an emphasis on innovation, is based on an article by Ken Auletta in the New Yorker magazine<sup>1</sup>. While the main topic of the article is the operation of The Dictator Index<sup>2</sup>, the story of Mo Ibrahim's life-long journey is intriguing and serves to illustrate how, in the Islamic world, innovation can succeed and how jobs can be created.

Sudan is a country of 37.8 million people, 71.3% of whom are Muslim. The WEF Competitiveness Report does not provide any statistics on the country – one of a few countries not ranked – but the Economist reports a GDP per person of \$2090 and a median age of 20.

Mo Ibrahim is Sudanese-born, now 64 years old and a hero in Africa. He founded Celtel, a mobile phone company which, by 2004, employed 4000 employees 90% of whom are African. Celtel provides service to 6 million customers in 13 countries and has sales of 1 billion.

**Education** was emphasized by the family.

His parents were Muslim and of modest means but they did believe strongly in education for their 5 children. He was apparently always interested in science and had as his heroes Albert Einstein and Marie Curie. Always at the top of his class, he was offered a scholarship at Alexandria University in electrical engineering. When he graduated in 1968 he went to work for Sudan Telecom. Like many engineers from developing countries, Mo went to study in England in this case at Bradford University in mobile communications. On completing his Masters degree he moved on to earn a Ph. D. from the University of Birmingham in 1981.

Mo Ibrahim had a first class education.

During his time at the University of Birmingham he spent 'countless hours in the laboratory, studying what happens when a signal is exchanged between a transmitter and a receiver which are not positioned in a straight line'. He and his group spent a lot of time on addressing the issue of whether radio-wave signals were strong enough to pierce buildings and go around hills.

**Tinkering** was part of his early experience.

**Personal risk** was assumed at the outset. He was probably confident of his abilities.

While working with British Telecom, which he came to regard as a highly bureaucratic company and disinterested in the mobile phone business, Ibrahim decided to leave the big employer and a secure job, and form a consultancy practice in London – Mobile Systems International (M.S.I.). A

<sup>1</sup> The New Yorker, Annals of Communications, The Dictator Index, Ken Auletta, March 7<sup>th</sup>, 2011.

<sup>2</sup> Mo Ibrahim created the Ibrahim Index of African Governance – a numerical evaluation of Africa's 53 governments – a measurement addressing good (or bad) governance.

consultancy does not require a lot of capital just talent and perseverance.

The growth of M.S.I., which was initially in Europe, North America and Japan, and some work in South Africa, focussed on making transmissions more efficient and was based on M.S.I.'s development of proprietary software known as Planet.

Commercial success was in part derived from **proprietary software** derived from M.S.I.'s intellectual capacity.

In the late 1990s- Ibrahim was looking for new challenges and formed Celtel to provide mobile services to African countries. Other continents had land-line services which the big telcos needed to protect. This was not the case in Africa – so the territory was wide open.

**Opportunity perceived** and taken advantage of.

One of the largest challenges in getting the Celtel venture off the ground was the need to attract capital. Normal banks refused because of the perceived risk. Ibrahim was successful in securing investment assistance from CDC Group, the investment arm of Britain's aid agency and the IFC, the private sector branch of the World Bank and, well, a New York-based investment house, Zephyr Management.

Traditional **sources of finance** were not available. Aid support was secured probably because of Ibrahim's promotional skills based on his in-depth knowledge of the science and the business side of the mobile phone business.

M.S.I. is sold to Marconi in 2000 and Ibrahim concentrates on Celtel. His style has been to focus on strategy after hiring capable C.E.O.s.

Ibrahim overcomes one of the structural problems of achieving a revenue stream by introducing scratch cards, obviating the necessity of dealing with the banking system.

A **new business model** is introduced to overcome a structural problem – dealing with banks.

In the end Ibrahim's control of Celtel was trumped by his investors – but for a **big payout**.

Celtel was sold to MTC Kuwait in 2005 for 3.4 billion dollars. Apparently the sale did not satisfy Ibrahim's interest in placing the company on the London Stock Exchange – the first ever private listing to be on the exchange – but he relented in the face of his investors.

The most important **lessons learned** from Mo Ibrahim's journey of innovation.

- A solid education – and parental support for education - is highly important in order to provide the educational and motivational grounding for individuals to take advantage of future opportunities.
- Education was obtained in a 'distant' land; a common journey for many educated and talented people over the years.
- Personal risk is always at stake whether in developed or undeveloped countries. Courage is required.
- Tinkering allows for an in-depth understanding of the technology of a product or service. Think time is required to realize bright ideas.
- A deep understanding of the science and the technology of the product or service is the usual source of ideas.
- Seeing an opportunity is a fundamental requirement of entrepreneurship. As Alexander Hamilton once said; 'find a need and fill it'.
- Investment money is in short supply especially in Africa. Venture capital is lacking. Perhaps there is help through institutions such as the IFC or aid programs, but the help offered is seldom all that it takes.
- New business models may be required to develop a commercial business in countries where people do not have cash nor are they yet plugged into a banking system.
- The length of time for laying the foundation for success is long: 1946 – 1981 [35 years for education], 1981 – late 1990s [15 years to get established], late 1990s – 2005 [relatively short period for success in this case in a 'virgin market'].

It appears that being a Muslim from an Islamic country and doing business in Islamic-oriented countries is far from a barrier. The main barrier is the accessibility of investment capital!

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